

INSTITUTIONAL STRENGTHENING OF THE MINISTRY OF FOREIGN RELATIONS, INTERNATIONAL TRADE AND WORSHIP

(AR-0265)

EXECUTIVE SUMMARY

Borrower:	The Argentine Nation	
Executing agency:	Department of International Trade and Economic Relations and Consular Affairs (SCREI) of the Ministry of Foreign Relations, International Trade and Worship (MRECIC)	
Amount and source:	IDB: (OC)	US\$ 7.5 million
	Local:	US\$ 7.5 million
	Total:	US\$15.0 million
Terms and conditions:	Amortization period:	20 years
	Execution period:	3 years
	Grace period:	3.5 years
	Disbursement period:	3.5 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
Objectives:	Currency (OC):	United States dollars, from the Single Currency Facility
	The general objective of the program is to modernize and strengthen the Ministry of Foreign Relations, International Trade and Worship from the standpoint of its capacity to promote foreign trade and participate in negotiations. Specific objectives are: (i) medium-term trade promotion strategy in place; (ii) greater technical capacity on the part of the ministry to participate in international trade negotiations; and (iii) greater analytical capacity to propose and implement long-term strategies in the areas of economic/trade and policy management under the ministry's jurisdiction.	
Description:	<p>The program consists of three components:</p> <ol style="list-style-type: none"> Foreign trade promotion strategy (US\$5.09 million). This component includes activities to design and introduce a strategic, medium-term program for the effective and coordinated promotion of national exportable supply, which will include 	

training programs, development of foreign trade promotion instruments and electronic commerce technologies, and the design and introduction of a comprehensive trade intelligence system.

2. **Strengthening of the ministry's institutional capacity for international trade negotiations (US\$3.68 million).** This component includes the development of workshops and seminars on topics comprising the economic/trade negotiations agenda; training and refresher courses for foreign service officers and negotiating teams; and support activities to improve articulation with the private sector for economic/trade negotiations, including the development of information systems.
3. **Development of a strategic policy analysis and management program (US\$3.15 million)** This component includes activities to strengthen ministry capabilities to analyze and implement policies; develop management and management control systems; improve the flow of information; design instruments for improving inter- and intra-institutional coordination in decision-making processes; and conduct specific studies and programs.

The Bank's country and sector strategy:

The IDB's action in Argentina focuses on three basic areas: (i) deepening and consolidating State modernization; (ii) reducing poverty and improving the quality of life of the population; and (iii) increasing the productivity and competitiveness of national industry. The proposed program is consistent with all the areas of this operating strategy because it will contribute to strengthening the public sector and, by supporting greater participation in trade, to expanding the export sector. This, in turn, will have a positive impact on job creation and improving the living conditions of a segment of the population.

Environmental and social review:

The program was considered by the Committee on Environment and Social Impact (CESI) at its 30 June 2000 meeting. The Committee's recommendations were: to specify in the plan of operations the activities aimed at improving the treatment of environmental issues in trade promotion and negotiation, especially in studies to support the design and implementation of the trade promotion strategy, and the training and organization of ministry staff.

Benefits:

Stronger trade promotion and negotiation capabilities at MRECIC will have a significant impact on the country's trade performance by contributing to expanding growth opportunities for the export sector, which will foster growth in the Argentine economy.

Through the preparation and implementation of strategic plans and the establishment of systems for training and updating officials' skills to meet current challenges facing the ministry in the area of international

trade promotion and negotiation, for example, the program will have a direct impact on improving management efficiency at MRECIC. The program will also foster greater coordination with, and participation by, the private sector and provincial governments, opening up greater opportunities for growth in a larger number of businesses that currently only target the domestic market.

The program will contribute to modernizing the country's trade policy, bringing it into line with the requirements of an increasingly global economy. In recent years, Argentina's most important efforts in the area of trade policy have focused on the unilateral liberalization of foreign trade. Therefore, its full participation in the multilateral system and the consolidation of natural integration arrangements (in particular, the expanded MERCOSUR) require policies that foster the growth of Argentina's supply and enable the private sector to tap opportunities stemming from the open regionalism and continued liberalization policies in new potential markets. New agreements need to be negotiated outside the region, in particular with the rest of the hemisphere and Europe, as well as in upcoming multilateral rounds in highly technical nontraditional areas. Through its different components, the proposed program will support the country in these efforts.

Risks:

The frequent rotation of ministry officials to and among the different diplomatic missions abroad is a potential limitation to the effectiveness of training actions to be carried out under the program. Efforts to strengthen the technical skills of officers in the areas of trade, economics and management, as well as to train specialized staff, may be affected by the rotation system inherent to any diplomatic corps. To reduce this risk, the program includes the establishment of ongoing refresher training programs that, regardless of the rotation of officials in charge of trade promotion and negotiation, will ensure that professionals who can effectively promote Argentine foreign trade will always be available.

Achievement of program objectives and the final impact of each of its activities will depend, to a certain degree, on the effectiveness of agencies other than MRECIC. The manner in which the Ministry of Economic Affairs implements trade policy within the country (for example, through the creation of networks of medium- and small-scale exporters) and the mechanisms it uses to ensure the competitiveness of Argentina's export sector, will have an impact on the effectiveness of MRECIC's trade promotion and negotiation efforts. In principle, this risk will be minimized since the IDB's other efforts (see paragraph 1.24) include support to the Ministry of Economic Affairs in strengthening trade policy (loan 1206/OC-AR).

Special contractual clauses:**Conditions precedent to the first disbursement:**

- (i) creation of the project executing unit (PEU) and hiring of its general director, technical coordinator, and financial and administrative coordinator, in accordance with the terms of reference agreed upon with the Bank (paragraph 3.6);
- (ii) entry into force of the agreement between MRECIC and INTAL to provide technical support to the PEU, under the terms agreed upon with the Bank (paragraph 3.9); and
- (iii) presentation of the work plan for the first year of program implementation (paragraph 3.11).

Poverty-targeting and social sector classification:

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).

Exceptions to Bank policy:

N/A

Procurement:

All selection and hiring of services and the procurement of goods called for in the program will be done in accordance with Bank procedures. When the value of goods to be procured exceeds the equivalent of US\$350,000 and the value of contracts for consulting services exceeds US\$200,000, bids and/or calls for proposals will be tendered at the international level. No works will be financed through the program.

The Institute for Latin America and Caribbean Integration (INTAL) will participate in program execution, providing the technical support required by the program executing unit. The direct hiring of INTAL, to be funded by the local counterpart, is justified based on INTAL's technical and institutional comparative advantages, and is therefore allowed under Bank procurement policies as an exception to the procedures for selecting consulting services – Chapter GS-403 of the Bank's Procurements Manual (paragraphs 3.4 and 3.8).